

Message Text

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PAGE 01 ABU DH 00807 141106Z

43

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 USIA-06 (ISO) W

----- 004583

R 140925Z APR 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2838

INFO AMEMBASSY ALGIERS

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINSHUEA

GEUQMKW/AMEMBASSY KUWAIT 2244

AMEMBASSY LAGOS

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY QUITO

AMEMBASSY VIENNA

US MISSION EC BRUSSELS 29

CONFIDENTIAL ABU DHABI 0807

DEPARTMENT PASS TREASURY FOR PARSKY

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, TC

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PAGE 02 ABU DH 00807 141106Z

SUBJ: UAE POSITION ON PRODUCER/CONSUMER CONFERENCE

REF: ABU DHABI 650

SUMMARY: UAE MINPET OTAIBA TOLD TREASURY ASSTSEC PARSKY APRIL 12 THAT UAE BELIEVES ENERGY QUESTION CANNOT BE ISOLATED FROM OTHER ECON ISSUES IN PRODUCER/CONSUMER CONFERENCE. DISCUSSIONS OF ISSUES SUCH AS OTHER RAW MATERIALS MAY BE HELD IN SEPARATE COMMITTEES AND SOLUTIONS NEED NOT BE REACHED CONCURRENTLY. BUT WL SHOULD BE UNDER ONE UMBRELLA AND FORWARD MOVEMENT OCCURRINMSWITH ALL. END SUMMARY.

1. IN ADDITION TO COVERING PRIME TOPIC OF USG POLICY TOWARD ARAB INVESTMENT IN U.S. (SEPTEL), TREASURY ASSISTANT SECRETARY PARSKY ALSO DISCUSSED PRODUCER/CONSUMER DIALOGUE DURING COURSE HIS TWENTY-FOUR HOUR VISIT TO UAE. IN CALLS APRIL 12 ON BOTH ACTING FOREIGN MINISTER SAIF GHOBASH AND MIN PET MANA AL-OTAIBA, PARSKY OFFERED TO BRIEF HIS HOSTS ON PARIS PREPCON. ASST SEC HAD TO NOTE THAT HE LEFT PREPCON APRIL 11 BEFORE CONSLUSION, BUT HE WAS ABLE OUTLINE AREA OF DISAGREEMENT WHICH QUITE CLEAR BEFORE HIS DEPARTURE.

2. PARSKY NOTED BY WAY INTRODUCTION, THAT USG REALIZED SOME TIME AGO BOTH THAT DIALOGUE NECESSARY AND THAT IT COULD NOT BE LIMITED JUST TO SUBJECT OF PRICE OF OIL. RATHER U.S. BELIEVED INTERRELATIONSHIP OF ISSUES HAD TO BE COVERED, HENCE OUR PROPOSAL OF GENERAL HEADING OF QUOTE ENERGY AND ENERGY RELATED MATTERS UNQUOTE. IN ADDITION TO QUESTIONS OF PRODUCTION LEVELS, PRICING, ETC., THIS IN OUR VIEW WOULD HAVE TO INCLUDE THREE BASIC POINTS: (A) ECONOMIC DEVELOPMENT OF PRODUCERS; (B) PRODUCERS' PLANS FOR EXTERNAL INVESTMENT; AND (C) PRODUCER/CONSUMER JOINT EFFORTS IN SUPPORT THIRD COUNTRY DEVELOPMENT. PARSKY STATED THAT USG HAD BEEN ABLE TO ACHIEVE GENERAL AGREEMENT WITH OTHER CONSUMERS ON THIS BROADER FOCUS. BUT HE ACKNOWLEDGED THAT, IN RETROSPECT, PERHAPS MORE SHOULD HAVE BEEN DONE BEFORE PREPCON TO DEFINE WITH PRODUCERS SCOPE OF DIALOGUE. HE NOTED THAT, AS IT DEVELOPED, AT PREPCON, OPEC/LDC'S WISHED TO GO FURTHER -- THEY WANTED CONFERENCE TO FOCUS ON ALL RAW MATERIALS AS WELL AS OTHER ISSUES -- IN EFFECT THEY WANTED SOLVE ALL ECONOMIC PROBLEMS AT ONCE.

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PAGE 03 ABU DH 00807 141106Z

3. PARSKY NOTED THAT THIS TURN OF EVENT WAS REGRETABLE. CONSUMER POSITION WAS NOT TO EXCLUDE OTHER SUBJECTS AS THEY RELATE TO PRESETNT SITUATION. CONSUMERS PREPARED CONSIDER ALL ISSUES OF CONCERN TO ANY OF PARTICIPANTS, BUT THAT IS NOT SAME THING AS PROPOSING THERE BE SEPARATE TREATMENT OF RAW MATERIALS, MONETARY REFORM AND LIKE. MANY OF THESE ISSUES, MOREOVER, ALREADY SUBJECT TO CONSIDERATION

BY OTHER FORA. THEREFORE, PRESETN DIALOGUE SHOULD CONCENTRATE ON ECONOMIC, FINANCIAL AND ENERGY ASPECT OF PRESENT SITUATION. PARSKY CONCLUDED BY NOTING THAT UNFORTUNATELY GLARE OF PRESS SPOTLIGHT ON PRECON ONLY SERVED TO HARDEN POSITIONS AND MAKE ACCOMMODATION MORE DIFFICULT, BUT HE STILL HOPEFUL THAT SOLUTION COULD BE ACHIEVED.

4. OTAIBA'S RESPONSE WAS MORE COMPLETE AND PRECISE THAN THAT OF GHOBASH, BUT THRUST OF BOTH WAS SAME. OTAIBA NOTED THAT AT ALGIERS IT WAS AGREED THAT SINCE OPEC HAD NOT CHOSEN FOUR MEMBERS TO GO TO PARIS, THEY WOULD BE CONSIDERED AS SPEAKING FOR THEMSELVES, NOT FOR OPEC AS WHOLE. BUT ALL

HAD AGREED THAT OIL CANNOT BE ISOLATED AS SEPARATE ISSUE. IT AS PART OF OVERALL RAW MATERILS QUESTION, AND MOST AGREED THAT WAY TO HANDLE THIS LINKAGE WAS TO HAVE PRODUCER/CONSUMER CONFERENCE CONSIDER ALL ISSUES. THEY NEED NOT ALL BE SOLVED AT ONCE AND IT WAS RECOGNIZED THAT OIL MORE "URGENT" THAN SOME OTHERS. OTAIBA SUGGESTED THAT SUBCOMMITTEES COULD DEAL WITH VARIOUS OTHER RAW MATERIALS AS WELL AS ISSUES SUCH AS MONETARY REFORM. PROGRESS NEED NOT BE EVEN ON ALL; OIL COULD BE SOLVED FIRST SO LONG AS THERE WAS MOVEMENT ON OTHERS. AS OTAIBA PUT IT QUOTE WE NOT ASKING FOR IMPOSSIBLE. IF WE WANTED TO SHOUT, WE SHOULD STAY HOME, RELAX AND SHOUT. WE SHOULD NOT BE GOING THROUGH EFFORT OF CONFERENCE UNLESS WE WANTED TO SEE RESULTS UNQUOTE.H

5. IN ENSUING EXCHANGE, OTAIBA REFUTED POINT RE DUPLICATION OF OTHER FORA BY NOTING THAT WHILE THESE BODIES WELL-INTENTIONED, THEY HAD NOT MADE MUCH PROGRESS TO DATE. PRODUCERS PREPARED INCORPORATE WORK DONE ALREADY AND TO USE EXISTING EXPERTS, BUT PROGRESS HAD TO BE MADE. HE CITED EXAMPLE OF UAE EFFORTS GET JAPANESE TO ESTABLISH AUTO CONFIDENTIAL

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PAGE 04 ABU DH 00807 141106Z

ASSEMBLY PLANT HERE. SO FAR JAPANESE KEEP DUCKING -- THEY REFUSING SHARE TECHNOLOGY. AND THIS JUST ONE EXAMPLE OF FAILURE OF EXISTING SYSTEM. IN RESPONSE TO PARSKY'S POINT RE DIFFICULTY HANDLING SO MANY ISSUES IN ONCE CONFERENCE (THOUGH PARSKY AGREED MOVEMENT ON VARIETY OF ISSUES NEEDED), OTAIBA REITERATED VIEW THAT ISSUES COULD BE CONSIDERED IN SEPARATE SUBCOMMITTEES AND THAT PROGRESS NEED NOT BE UNIFORM. BOTH OTAIBA AND GHOBASH MADE POINT THAT PRODUCERSZAD TO BE ABLE SHOW LDC'S THAT THEY (THE PRODUCERS) WERE NOT JUST MINDFUL OF PROBLEMS OF DEVELOPING COUNTRIES. AS GHOBASH PUT IT, CONSUMERS MUST APPRECIATE PSYCHOLOGICAL ASPECTS OF SITUATION; PRODUCERS MIGHT ACKNOWLEDGE THAT ENERGY PROBLEM OF PRIME IMPORTANCE BUT THEY COULD NOT CUT SELVES OFF FROM THIRD WORLD. SOME FORM OF INDEXING, PREFERABLY NOT TOO RIGID, HAD TO BE

INCORPORATED. PARSKY RESPONDED BY NOTING THAT POSITIONS
NOT REALLY THAT FAR APART -- THAT CONSUMERS WERE NOT ASKING
QITE WHAT CAN YOU DO FOR US UNQUOTE BUT QUOTE
WHAT WE, CONSUMERS AND PRODUCERS, CAN DO FOR EACH OTHER
AND FOR REST OF WORLD UNQUOTE. PARSKY IN EFFECT
CONCLUDED BY NOTING HIS CONTINUED HOPE FOR A DIALOGUE AND
IN FACT FOR SOME FORM OF COMPROMISE SOLUTION TO PREPCON
IMPASSE.

6. COMMENT: WHILE UAEG, AS OUTLINED BY OTAIBA, OBVIOUSLY
CLOSELY IN CONFORMITY WITH GENERAL OPEC VIEWS, IT SDUS
GENUINELY INTERESTED IN SEEING PROCEDURES ESTABLISHED WHICH
WILL ENABLE CONFERENCE TO MAKE PRACTICAL PROGRESS.
IN THIS CONNECTION, OTAIBA SUGGESTION FOR SEPARATE
COMMITTEES WORKING AT THEIR OWN PACE STRIKES US AS
SENSIBLE WAY OF BREAKING PROCEDURAL IMPASSE.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN POLICY POSITION, MEETINGS, IMPORTERS, EXPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ABUDH00807
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750130-0056
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750451/aaaabvkj.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ABU DHABI 650
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by ShawDG>; APPROVED <14 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UAE POSITION ON PRODUCER/CONSUMER CONFERENCE
TAGS: ENRG, TC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006